

## Message Text

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12

ACTION EUR-25

INFO OCT-01 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00 CIEP-02

COME-00 DODE-00 EB-11 FEA-02 FPC-01 H-03 INR-10

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 PA-04 PRS-01 USIA-15

DRC-01 /174 W

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R 112021Z APR 74

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 3177

INFO ALL AMCONSULS IN CANADA

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E.O. 11652: N/A

TAGS: ENRG, CA

SUBJECT: ENERGY: CLARIFICATION OF NEW OIL PRICING POLICY  
AND EXPORT CHARGE.

1. ENERGY MINISTER MACDONALD, DURING COURSE OF APRIL 8  
COMMONS DEBATE ON SECOND READING OF PETROLEUM ADMINISTRATION  
ACT, ATTEMPTED TO CLARIFY CONFUSION WHICH HAS ARISEN OVER  
NEW OIL PRICING AGREEMENT REACHED BETWEEN FEDERAL AND  
PROVINCIAL GOVERNMENTS ON MARCH 27.

2. MACDONALD STATED THAT PRE-APRIL 1 REFERENCES TO FROZEN  
AVERAGE CRUDE OIL PRICE OF \$4.00 REFERRED TO AVERAGE  
PRICE AT EDMONTON AND INCLUDED FIELD GATHERING COSTS  
OF 15 TO 20 CENTS PER BARREL, THUS IMPLYING A FROZEN AVERAGE  
WELL-HEAD PRICE OF \$3.80 TO \$3.85. THE MARCH 27 AGREEMENT,  
HE SAID, WAS CLEARLY STATED TO BE AN INCREASE IN THE  
WELL-HEAD PRICE TO \$6.50, LEADING TO AN AVERAGE EDMONTON  
PRICE (AGAIN INCLUDING THE GATHERING COSTS) OF \$6.70 AND  
A PRICE OF \$7.20 DELIVERED IN TORONTO. THE \$7.20 PRICE IS  
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ALSO EMPLOYED AS THE BASIC PRICE IN MONTREAL ON WHICH THE GOC

WILL PAY COST COMPENSATION TO CUSHION EASTERN CONSUMERS AGAINST THE HIGHER COST OF OFF-SHORE IMPORTS. ON THIS BASIS, AND IN ACCORDANCE WITH MACDONALD'S REQUEST TO THE INDUSTRY TO REFRAIN FROM HIGHER PRODUCT PRICES UNTIL LOWER COST INVENTORIES ARE WORKED OFF (MAY 15), PRODUCT PRICES TO CANADIAN CONSUMERS "MAY BE EXPECTED TO RISE BY APPROXIMATELY \$0.08 WEST OF THE OLD OTTAWA VALLEY LINE AND \$0.03 EAST OF THAT LINE TO ESTABLISH APPROXIMATE PRODUCT PRICE EQUALITY IN MONTREAL AND TORONTO ON THAT DATE."

3. MACDONALD ALSO GAVE COMMONS NOTICE THAT HE WILL MOVE IN COMMITTEE TO AMEND THE \$4.20 EXPORT CHARGE FOR APRIL TO READ \$4.00. HE STATED "THE \$4.20 RECORDED IN THE LEGISLATION WAS ARRIVED AT WHEN WE WERE BASING OUR CALCULATIONS ON THE AVERAGED PRICE FOR OIL AT EDMONTON. THESE CALCULATIONS WILL NOW BE MADE ON AN AVERAGED WELL-HEAD PRICE WHICH DOES NOT INCLUDE TRANSPORTATION CHARGES FOR DELIVERY TO EDMONTON."

4. BEGIN LIMITED OFFICIAL USE - IN EFFORT TO CLARIFY MACDONALD'S "CLARIFICATION" EMBOFF LEARNED FROM NATIONAL ENERGY BOARD (NEB) OFFICIAL THAT "ERROR" IN ORIGINAL APRIL EXPORT CHARGE FIGURE (WHICH HE DESCRIBED AS MATTER OF CONSIDERABLE EMBARRASSEMENT AND SENSITIVITY IN THE BUREAUCRACY) RESULTED IN FOLLOWING MANNER: NEB HAD CALCULATED THAT, FOR APRIL, EXPORT PRICE OF CANADIAN OIL SHOULD BE \$10.70. ON MISTAKEN ASSUMPTION THAT NEW DOMESTIC PRICE OF \$6.50 WAS \$2.50 HIGHER THAN OLD PRICE (PRESS AND GENERALLY REPORTED FEDERAL/PROVINCIAL AGREEMENT AS INCREASE FROM \$4.00 TO \$6.50), \$2.50 WAS ADDED TO OLD EDMONTON PRICE OF \$4.00 AND TOTAL OF \$6.50 WAS DEDUCTED FROM \$10.70 TO ARRIVE AT EXPORT CHARGE OF \$4.20. IN FACT, NEW DOMESTIC PRICE OF \$6.50 IS PRICE AT WELL-HEAD AND REPERSENTS \$2.70 INCREASE SINCE WELL-HEAD PRICE HAD BEEN \$3.80, NOT \$4.00. ADDING \$2.70 TO OLD EDMONTON PRICE OF \$4.00 AND DEDUCTING THIS TOTAL FROM \$10.70 RESULTS IN CORRECT EXPORT CHARGE OF \$4.00. END LIMITED OFFICIAL USE

5. ACCORDING TO NEB SOURCE, TRANSPORTATION COSTS ADDED TO EDMONTON EXPORT PRICE OF \$10.70 RESULTS IN A CHICAGO LIMITED OFFICIAL USE

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DELIVERED PRICE OF CANADIAN CRUDE OF \$11.25 PER BARREL ON AVERAGE.  
PORTER

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM, EXPORTS, POLICIES, DATA, PRICES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 11 APR 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** garlanwa  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D740084-1005  
**From:** OTTAWA  
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**Office:** ACTION EUR  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
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**Previous Channel Indicators:**  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** garlanwa  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 12 APR 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <12 APR 2002 by ifshinsr>; APPROVED <22 JUL 2002 by garlanwa>  
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30 JUN 2005

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**Review Transfer Date:**  
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**Status:** NATIVE  
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**TAGS:** ENRG, CA  
**To:** STATE  
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